

Remarks on the Financial Crisis Responsibility Fee

January 14, 2010

Thank you, everybody, for being here. As we all know, our country has endured the deepest recession we've faced in generations. And much of the turmoil was caused by irresponsibility on the part of banks and financial institutions. Now, firms took reckless risks in pursuit of short-term profits and soaring bonuses, triggering a financial crisis that nearly pulled the economy into a second great depression.

Now, it was a little more than a year ago that we stood on that precipice. And several of the world's largest financial institutions had already failed. Credit markets froze, and banks refused to lend. Trillions of dollars in household savings evaporated as stocks, pensions, and home values plummeted. And we were losing hundreds of thousands of jobs each month. It was at this time that many large financial firms—those left standing—teetered on the brink of collapse, overwhelmed by the consequences of their irresponsible decisions.

Now, even though these firms were largely facing a crisis of their own making, their failure could have led to an even greater calamity for the country. So the Federal Reserve and other agencies took emergency measures to prevent that outcome. And the previous administration started a program, the Troubled Asset Relief Program, or TARP, to provide these financial institutions with funds to survive the turmoil that they had helped unleash. It was a distasteful but necessary thing to do.

Now, we've worked over the last year to manage this program effectively, to hold firms accountable, and to recoup as much tax money as possible. Many originally feared that most of the \$700 billion in TARP money would be lost. But because of the management of this program by Secretary Geithner and my economic team, we've now recovered the majority of the funds provided to banks.

As far as I'm concerned, however, that's not good enough. My commitment is to the taxpayer. My commitment is to recover every single dime the American people are owed. And my determination to achieve this goal is only heightened when I see reports of massive profits and obscene bonuses at some of the very firms who owe their continued existence to the American people, folks who have not been made whole and who continue to face real hardship in this recession.

We want our money back, and we're going to get it. And that's why I'm proposing a financial crisis responsibility fee to be imposed on major financial firms until the American people are fully compensated for the extraordinary assistance they provided to Wall Street. If these companies are in good enough shape to afford massive bonuses, they are surely in good enough shape to afford paying back every penny to taxpayers.

Now, our estimate is that the TARP program will end up costing taxpayers around \$117 billion, obviously a lot less than the \$700 billion that people had feared, but still a lot of money. The fee will be in place for 10 years or as long as it takes to raise the full amount necessary to cover all taxpayer losses. This will not be a cost borne by community banks or small financial firms; only the largest firms with more than \$50 billion in assets will be affected. And the size of the fee each bank owes will be based on its size and exposure to debt, so that we are

recovering tax dollars while promoting reform of the banking practices that contributed to this crisis.

Now, the fact is these financial institutions are essential to our economy. They provide capital and credit to families purchasing homes, students attending college, businesses seeking to start up or expand. And that's why the rescue program was as necessary as it was unfortunate. And that is why, through this fee and broader reforms that we seek, our goal is not to punish Wall Street firms, but rather to prevent the abuse and excess that nearly caused the collapse of many of these firms and the financial system itself.

We cannot go back to business as usual. And when we see reports of firms once again engaging in risky bets to reap quick rewards, when we see a return to compensation practices that seem not to reflect what the country's been through, all that looks like business as usual to me. The financial industry has even launched a massive lobbying campaign, locking arms with the opposition party to stand in the way of reforms to prevent another crisis. That too, unfortunately, is business as usual. And we're already hearing a hue and cry from Wall Street suggesting that this proposed fee is not only unwelcome but unfair, that by some twisted logic, it is more appropriate for the American people to bear the costs of the bailout rather than the industry that benefited from it, even though these executives are out there giving themselves huge bonuses.

What I'd say to these executives is this: Instead of sending a phalanx of lobbyists to fight this proposal or employing an army of lawyers and accountants to help evade the fee, I suggest you might want to consider simply meeting your responsibilities. And I'd urge you to cover the costs of the rescue not by sticking it to your shareholders or your customers or fellow citizens with the bill, but by rolling back bonuses for top earners and executives. And more broadly, I am continuing to call on these firms to put greater effort into helping families stay in their homes, to provide small businesses with needed loans, and to embrace, rather than fight, serious financial reform.

Ultimately, it is by taking responsibility—on Wall Street, here in Washington, all the way to Main Street—that we're going to move past this period of turmoil. That's how we're going to avoid the cycles of boom and bust that have caused so much havoc. That's how we're going to promote vibrant markets that reward innovation and entrepreneurship and hard work. That's how we're going to create sustained growth without the looming threat of another costly crisis. That's not only in the best interests of the economy as a whole; it's actually in the interest of these large banks.

So I'm going to be working closely with Congress on this proposal. And on behalf of the American people, I look forward to signing it into law.

Thank you very much.

NOTE: The President spoke at 11:44 a.m. in the Diplomatic Reception Room at the White House.

Categories: Addresses and Remarks : Financial Crisis Responsibility Fee, proposed.

Locations: Washington, DC.

Names: Geithner, Timothy F.

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